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RUEHRO/AMEMBASSY ROME PRIORITY 1601
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RUEHSM/AMEMBASSY STOCKHOLM PRIORITY 0070
RUEHTV/AMEMBASSY TEL AVIV PRIORITY 1664
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TAGS: [SENV](#) [EAGR](#) [EAID](#) [PGOV](#) [PREL](#) [JO](#) [IS](#)
SUBJECT: JORDAN ONLY APPROACH TO RED-DEAD PROJECT GAINS
TRACTION

REF: A. AMMAN 508
[1](#)B. 08 AMMAN 3011
[1](#)C. 08 AMMAN 1639
[1](#)D. 08 AMMAN 409
[1](#)E. 08 AMMAN 228

Classified By: Ambassador R. Stephen Beecroft for reasons 1.4 (b) and (d)

[1](#)1. (C/NF) SUMMARY: Many in Jordan view the Red Sea-Dead Sea conveyance project (RDS) to carry water from the Gulf of Aqaba to the Dead-Sea as a savior to Jordan's water woes. The \$15.5 million World Bank RDS feasibility study, which includes a \$1.5 million USG contribution, began in May 2008 with Israeli and Palestinian participation. The GOJ sees the RDS as the only way forward, but frustrated by the World Bank's slow pace has engaged Montgomery Watson Harza (MWH) to plan a Jordan-only \$10.5 billion RDS solution with a seven-year implementation timeline. According to MWH, the plan has the King's blessing and Israeli acknowledgement. It includes a \$1.5-\$1.7 billion Phase 1 with an option for a large Jordanian desalination facility to also supply southern Israel with water. MWH believes, the GOJ is considering requesting increased U.S. support through the redeployment of MCC funds and additional financing through OPIC or EXIM bank. In the GOJ calculations, Jordanian ability to supply desalinated water to Israelis and Palestinians would give Jordan more political clout in the regional architecture - something the GOJ believes would be inherently attractive to the U.S. and hence an option the King would raise during his upcoming trip to the U.S. The Israeli Embassy in Amman, however, notes that Israel has no plans to buy water from Jordan and has instead offered to sell water to Jordan. END SUMMARY.

Red Sea - Dead Sea Conveyance: The Savior?

[1](#)2. (SBU) Jordan, one of the driest countries in the world, has long suffered from an acute water crisis exacerbated by decreasing rainfall, increased groundwater exploitation, inefficient agricultural practices, and increasing population and development stress. Many in Jordan view the Red Sea-Dead Sea conveyance project(RDS) to convey ocean water from the

Gulf of Aqaba to the Dead Sea, first proposed in the 1990's, as a savior to Jordan's water woes. While helping to restore the receding water levels in the Dead-Sea, the RDS would also generate hydropower to power a desalination plant and supply Amman with much needed drinking water. In a region where scarce water resources have often been a subject of trans-boundary frictions, the RDS is also envisioned as a means of bolstering regional cooperation between Israel, Jordan, and the Palestinians.

¶3. (C/NF) The \$15.5 million World Bank RDS feasibility study, which includes a \$1.5 million USG contribution, began in May 2008. The World Bank maintains, however, that the study which includes an environmental assessment as well as a technical feasibility study, does not guarantee a final project. Whether funded through the World Bank or not, the GOJ sees the RDS as the only way forward. The GOJ understands the inherent difficulties in a project based on regional cooperation and is frustrated by the slow pace of the World Bank study, believing the 2010 output will be a useful study, but not lead to any follow on project.

Jordan-only Approach Gains Traction

¶4. (C/NF) After lengthy discussions initiated by Montgomery Watson Harza (MWH) in 2007, the GOJ engaged MWH in October 2008, approving a \$3.5 million study to devise a Jordan-only RDS solution. According to Kenley Brunsdale who is leading the MWH engagement, the Ministry of Water and Irrigation (MOWI) has also chosen MWH as its RDS strategic partner for the next 30 years. MWH has completed its initial study and

presented a "start-to-finish" financing and implementation plan to the GOJ for a proposed seven-year, \$10.5 billion project. The plan includes a provision to sell 100 million cubic meters (MCM) of desalinated water to Israel or the Palestinians, provide Amman with an additional 500 MCM of drinking water, and stabilize the Dead-Sea by raising the water levels by 10-12 meters.

¶5. (C/NF) MWH participated in a March 2009 meeting with the King who approved the unilateral approach but also instructed the Prime Minister to ensure closer coordination between the RDS and proposed nuclear power plants which would also consume large quantities of water. MWH recounted that the GOJ has discussed the Jordan-only approach with the Israelis who have agreed to be "neutral, if not supportive," but asked Jordan to ensure all environmental issues are properly addressed to ensure the Israeli public does not object. NOTE: The Israeli Ambassador in Amman told Emboffs that Israel opposes the RDS and believes Jordan is making a mistake, but recognizes that it can not stop Jordan. END NOTE.

¶6. (C/NF) Phase 1 of the MWH approach, estimated at \$1.5-\$1.7 billion over a three-four year timeline, would consolidate the many proposed intakes from the Gulf of Aqaba for the RDS, proposed nuclear power plants, a planned desalination plant by the Aqaba Water Company and intakes for the Araya development project into one master intake. A nearby economic development zone would house a large desalination facility to supply customers with water. MWH believes Phase 1 could be a self-sustaining project even if the subsequent connection to the Dead-Sea does not proceed.

¶7. (C/NF) The GOJ has also proposed selling the desalinated water to Israel for use in southern Israel, eliminating the need for Israel to build its own desalination plant in the region. According to MWH, the GOJ is considering several options for requesting increased U.S. support such as the redeployment of MCC funds and additional financing through OPIC or EXIM bank. MWH believes the GOJ is preparing to have the King raise these requests in his upcoming meetings with the President in Washington. In the GOJ calculations, Jordanian ability to supply desalinated water to Israelis and Palestinians would give Jordan more political clout in the regional architecture - something the GOJ believes would be

inherently attractive to the U.S. NOTE: The Israeli Embassy in Amman, however, has shared that Israel has no plans to buy water from Jordan and has instead offered to sell water to Jordan at a price likely to be more competitive than what Jordan could offer. END NOTE.

Implementation Issues Yet to be Resolved

¶8. (C/NF) The MWH plans call for special legislation with 20 policy decisions such as the creation of a new autonomous authority (akin to the Aqaba Special Economic Zone) to be responsible for the RDS management, a special surcharge on water tariffs, and increased water connection fees. The special legislation to support the RDS has been drafted but would need to be expedited to meet the optimistic GOJ targets of announcing the project in the summer of 2009 and starting project implementation in 2010.

¶9. (C/NF) The financing plan projects that 65-70% of the RDS operational costs could be supported from water revenues, 20% from the economic development zones that would be established along the conveyance route, and 10% from new taxes. Several elements of the financing plan are tied to private sector participation. The RDS would require the largest pumping stations in the world which according to MWH can only be built by 2 Japanese companies - which could get Japanese supplier financing for the estimated \$1.9 billion. Similarly a projected \$2 billion of steel would be required and MWH expects China might provide supplier financing to support Chinese participation, including the potential to build a

pipe manufacturing facility in Jordan. The financial plan would also include elements of private investor participation as well as commercial paper. MWH expects that a master financier would be appointed to lead and coordinate the RDS financing elements.

¶10. (C/NF) Another thorny issue for the GOJ to consider will be launching a Jordan-only project before the World Bank led study is concluded. While the GOJ finesses this point by noting that the results of the World Bank study will provide valuable data for the unilateral approach, there exists a strong potential backlash from civil society in the region and the donor community that has financed the World Bank study.

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<http://www.state.sgov.gov/p/nea/amman>
Beecroft